

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6289**

**BILL NUMBER:** SB 373

**NOTE PREPARED:** Jan 7, 2009

**BILL AMENDED:**

**SUBJECT:** Mechanic's Liens.

**FIRST AUTHOR:** Sen. Kruse

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State

**Summary of Legislation:** *State Construction Registry Program-* The bill establishes a State Construction Registry Program (SCRCP) to create and maintain an electronic data base for the filing of certain mechanic's liens that relate to the construction, alteration, or repair of Class 2 structures. The bill requires the Office of Technology (OOT) to supervise the program and to contract with a third party to operate the program.

The bill provides that the program must: (1) maintain a central data base; (2) accommodate electronic filing; (3) assign a lien identification number; (4) provide notification by electronic mail to the filer; and (5) be indexed to permit searching.

The bill authorizes the OOT to charge a fee sufficient to cover the expenses of the program. The bill makes other changes and conforming amendments.

**Effective Date:** January 1, 2010.

**Explanation of State Expenditures:** *State Construction Registry Program-* This provision would increase the expenditures of the OOT to implement. The OOT estimates that it would cost approximately \$33,400 to \$70,400 in the first year to implement the database. Ongoing costs are estimated at \$5,400 (for application and database maintenance).

The following table breaks down the expenditures.

<b>Database Cost Estimates</b>	<b>High Estimate</b>	<b>Low Estimate</b>
Application Development	\$50,000	\$20,000
Manual Entry	\$15,000	\$8,000
Application Hosting (ongoing)	\$2,400	\$2,400
Database Maintenance (ongoing)	\$3,000	\$3,000
<b>TOTAL</b>	<b>\$70,400</b>	<b>\$33,400</b>

The above estimates are intended to reflect a standard database holding between 5,000 and 10,000 records at any time with free public access. However, specific tailored additions, time to build the database, data entry requirements, and secured access could increase the cost estimate. The actual cost of the database would depend on the contract price agreed between the OOT and the awarded third-party contractor or “Designated Agent” (DA).

**Explanation of Designated Agent-** The DA would receive lien complaints from mechanics and would charge a fee for their complaint. The DA would then enter the lien claim into the database. The DA would also construct and maintain the database.

**Form notices-** The OOT would develop a form for persons performing mechanic repairs to a property so property owners would be notified of the existence of the SCRP database.

The bill does not provide an appropriation to cover the initial database construction costs. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Explanation of State Revenues:** *Program Fee-* The OOT would have the option of assessing a fee for use of the database. The fees established must be enough to cover the cost to establish, operate, and maintain the database.

The contract between the OOT and the DA may allow for the DA to also charge and retain a fee for their services when a person inspects or copies records from the database.

*Background Information-* The following table illustrates a sample of counties with the number of residential structure liens currently on file.

<b>County Residential Liens</b>	<b>Number of Residential Liens</b>	<b>County Population*</b>
Bartholomew	16	74,750
Cass	6	39,193
Hendricks	120	134,558
Jackson	7	42,184
Pike	1	12,605
Pulaski	5	13,778
Scott	29	23,679
Shelby	13	44,063
St. Joseph	247	266,088
Vanderburgh	45	174,425
Warrick	81	57,090
<b>TOTAL</b>	<b>570</b>	<b>882,413</b>
*Estimated, as of July 1, 2007		

Without Marion County, the ratio of residential liens per population from the above sample would be approximately 0.65 liens per 1,000 residents. With Marion County included, the ratio would likely be higher. When applied to the state population without Marion County (5.4 M), it is estimated there would be about 3,550 residential liens in the rest of the state.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** OOT.

**Local Agencies Affected:**

**Information Sources:** Robert Paglia, OOT, 234-5099; Sarah Nichols Rossier, Association of Indiana Counties, 829-3655; U.S. Bureau of Census.

**Fiscal Analyst:** Chris Baker, 317-232-9851.